

Statement by Rep. Carolyn McCarthy
Subcommittee on Capital Markets, Insurance and Government Sponsored Enterprises
Financial Services Committee
3/18/09

I am disappointed and disgusted to learn of the recent reports that AIG will pay roughly \$165 million in bonuses to their executives, when the company is in a financial disaster. Bonuses are a means of rewarding and recognizing an employee's positive contribution that would have guided the company to a state of positive health and revenue. It is inexplicable why AIG is "rewarding" executives that participated in risky business decisions and led to the failure of the company. Taxpayers have every right to be angered by the reasoning CEO Edward Liddy offered to Treasury Secretary Geithner, that "AIG's hands are tied." As a result of companies like AIG's participation in the economic meltdown, people have lost their houses, jobs and pension funds. Executives who presided over the downfall of AIG Financial Products unit, the division that greatly contributed to the company's serious liquidity problems, should not be allowed to receive additional compensation.

We can not forget that AIG has received billions of dollars in emergency help from the American taxpayer! While we have been trying to shore up AIG to prevent a further hit to the overall economy, their corporate leadership is rewarding bad behavior with our money.

This is the height of irresponsibility, arrogance and hypocrisy. This is, in some ways, the type of behavior that put us in the circumstances we are in today.

AIG's involvement in the economy is complex and far-reaching. They do not operate in a bubble, which is why we have been working so hard to infuse cash into the corporation. We wanted to stop the bleeding so other people do not go down innocently with AIG's sinking ship.

We *did not* support AIG so they could slap us in the face by giving our money away. I, for one, want my money back from these bonuses and so do the nation's taxpayers.

To that end, I have cosponsored a bill introduced by my colleague from Long Island, Congressman Steve Israel that would tax bonuses at 100% for companies like AIG, who receive TARP funding. The bonus bailout rate would apply only to the bonus portion of an individual's taxable income. Currently the IRS holds 25% from bonuses less than \$1 million and 35% for a bonus of more than \$1 million. Taxing these bonuses at 100% would not only send an important cautionary message to AIG and other TARP recipients, it will help taxpayers recoup some of our money.

If companies decide it's acceptable to waste money on bonuses that are not deserved, they should face consequences for those bad decisions. I look forward to working with

my colleagues on the Committee to ensure that in the future, companies think twice before granting bonuses to executives who do not deserve them.